

CORPORATE INTEGRITY AGREEMENT
BETWEEN THE
OFFICE OF INSPECTOR GENERAL
OF THE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
SHAWNEE HILLS, INC.

I. PREAMBLE

Shawnee Hills, Inc. ("Shawnee Hills") hereby enters into this Corporate Integrity Agreement ("CIA") with the Office of Inspector General ("OIG") of the United States Department of Health and Human Services ("HHS") to ensure compliance by Shawnee Hills' physicians, employees, and other health care professionals, as well as all other individuals with responsibility for providing, documenting, or billing for services reimbursable by any Federal health care program, and all third parties with whom Shawnee Hills may choose to engage to act as billing or coding agents or consultants (collectively "Covered Individuals"), with the requirements of Medicare, Medicaid and all other Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)) (hereinafter collectively referred to as the "Federal health care programs."). Pursuant to this CIA, Shawnee Hills agrees to undertake the compliance obligations outlined below. Shawnee Hills' compliance program shall also be designed to prevent fraud, false statements or other mispending of funds related to federal grants and contracts (hereafter "Grants and Contracts") by Shawnee Hills and each of its Covered Individuals. The compliance program shall be maintained so as to ensure that Shawnee Hills and all Covered Individuals comply with the requirements of the Federal health care programs, and maintain the integrity required of a recipient of federal funds, and that Shawnee Hills is in compliance with all statutes and regulations applicable to such awards. Shawnee Hills' compliance with the terms and conditions in this CIA shall constitute an element of its present responsibility with regard to participation in the Federal health care programs. Contemporaneously with this CIA, Shawnee Hills is entering into a Settlement Agreement and Release (the "Settlement Agreement") with the United States, and this CIA is incorporated by reference into the Settlement Agreement. Shawnee Hills and OIG may be referred to individually as "party" and collectively as "the parties."

II. TERM OF THE CIA

The period of the compliance obligations assumed by Shawnee Hills under this CIA shall be ten (10) years from the Effective Date of this CIA. The Effective Date of this CIA will be the date on which the final signatory to this CIA executes this CIA. If Shawnee Hills satisfies its financial obligations under the Settlement Agreement prior to ten (10) years, then its obligations under this CIA shall cease as of the date of the final payment. However, notwithstanding any early payment under the Settlement Agreement, the minimum term of this CIA shall be five (5) years. Further, Shawnee Hills shall submit an Annual Report (described below in Section V) for the full year in which it makes its final payment (e.g., if Shawnee Hills makes its final payment in the seventh (7th) month of the eighth (8th) year from the Effective Date, it would need to provide OIG with an Annual Report covering the eighth (8th) year of the term of this CIA). The OIG may, at its sole discretion and in writing, terminate or reduce the compliance obligations assumed by Shawnee Hills under this CIA after five (5) years.

III. CORPORATE INTEGRITY OBLIGATIONS

Shawnee Hills warrants and represents that it currently maintains a compliance program. Pursuant to and for the duration of this CIA, Shawnee Hills shall maintain its compliance program and, as required below, amend the compliance program to adhere to or include the following obligations or elements:

A. Compliance Officer/Compliance Committee.

1. Compliance Officer. Within one hundred twenty (120) days after the Effective Date of this CIA, Shawnee Hills shall appoint an individual to serve as Compliance Officer, who shall be responsible for developing and implementing policies, procedures, and practices designed to ensure compliance with the requirements set forth in this CIA and with the requirements of the Federal health care programs. The Compliance Officer shall be a member of Shawnee Hills' senior management, shall make regular (at least quarterly) reports regarding compliance matters directly to the CEO and to the Board of Directors of Shawnee Hills, and shall be authorized to report to the Board of Directors at any time. The Compliance Officer shall be responsible for monitoring the day-to-day activities engaged in by Shawnee Hills to further its compliance objectives as well as any reporting obligations created under this CIA. In the event a new Compliance Officer is appointed during the term of this CIA, Shawnee Hills shall notify OIG, in writing, within thirty (30) days of such a change.

2. Compliance Committee. Shawnee Hills shall also appoint a Compliance Committee within one hundred twenty (120) days after the Effective Date of this CIA. The Compliance Committee shall, at a minimum, include the Compliance Officer and any other appropriate officers as necessary to meet the requirements of this CIA within Shawnee Hills' corporate structure (e.g., senior executives of each major department, such as billing, clinical, human resources, audit, and operations). The Compliance Officer shall chair the Compliance Committee and the Compliance Committee shall support the Compliance Officer in fulfilling his/her responsibilities.

B. Written Standards.

1. Code of Conduct. Within one hundred twenty (120) days of the Effective Date of this CIA, Shawnee Hills shall establish a Code of Conduct. The Code of Conduct shall be distributed to all Covered Individuals within one hundred twenty (120) days of the Effective Date of this CIA. Shawnee Hills shall make the promotion of, and adherence to, the Code of Conduct an element in evaluating the performance of managers, supervisors, and all other Covered Individuals. The Code of Conduct shall, at a minimum, set forth:

- a. Shawnee Hills' commitment to full compliance with all statutes, regulations, and guidelines applicable to Federal health care programs, including its commitment to prepare and submit accurate billings consistent with Federal health care program regulations and procedures or instructions otherwise communicated by the Health Care Financing Administration ("HCFA") (or other appropriate regulatory agencies) and/or its agents;
- b. Shawnee Hills' commitment to full compliance with all federal statutes and regulations applicable to Grants and Contracts;
- c. Shawnee Hills' requirement that all of its Covered Individuals shall be expected to comply with all statutes, regulations, and guidelines applicable to Federal health care programs, Grants and Contracts, and with Shawnee Hills' own Policies and Procedures (including the requirements of this CIA);
- d. the requirement that all of Shawnee Hills' Covered Individuals shall be expected to report suspected violations of any statute, regulation, or guideline applicable to Federal health care programs, Grants and Contracts, or of Shawnee Hills' own Policies and Procedures;

- e. the possible consequences to both Shawnee Hills and to any Covered Individual of failure to comply with all statutes, regulations, and guidelines applicable to Federal health care programs, Grants and Contracts, and with Shawnee Hills' own Policies and Procedures or of failure to report such non-compliance; and
- f. the right of all Covered Individuals to use the Confidential Disclosure Program, as well as Shawnee Hills' commitment to confidentiality and non-retaliation with respect to disclosures.

Within ninety (90) days of the Effective Date of the CIA, each of Shawnee Hills' Covered Individuals shall certify, in writing, that he or she has received, read, understands, and will abide by Shawnee Hills' Code of Conduct. New Covered Individuals shall receive the Code of Conduct and shall complete the required certification within thirty (30) days after the commencement of their employment, agency or contract, or within ninety (90) days of the Effective Date of the CIA, whichever is later.

Shawnee Hills will annually review the Code of Conduct and will make any necessary revisions. These revisions shall be distributed within thirty (30) days of initiating such a change. All Covered Individuals shall certify on an annual basis that they have received, read, understand and will abide by the Code of Conduct.

2. Policies and Procedures. Within one hundred twenty (120) days of the Effective Date of this CIA, Shawnee Hills shall develop and initiate implementation of written Policies and Procedures regarding the operation of its compliance program and its compliance with all federal and state health care statutes, regulations, and guidelines, including the requirements of the Federal health care programs and Grants and Contracts. At a minimum, the Policies and Procedures shall specifically address the submission of accurate and proper bills and claims to the Federal health care programs. The Policies and Procedures shall also address the preparation of accurate and appropriate submissions for Grants and Contracts. In addition, the Policies and Procedures shall include disciplinary guidelines and methods for Covered Individuals to make disclosures or otherwise report on compliance issues to Shawnee Hills' management through the Confidential Disclosure Program required by Section III.E below. Shawnee Hills shall assess and update as necessary the Policies and Procedures at least annually and, when appropriate, more frequently. A summary of the Policies and Procedures will be provided to OIG in the Implementation Report, described below. The Policies and Procedures will be available to OIG at any time upon request.

Within one hundred twenty (120) days of the Effective Date of this CIA, the relevant portions of the Policies and Procedures shall be distributed to all Covered Individuals. Compliance staff or supervisors should be available to explain to appropriate personnel any and all Policies and Procedures.

C. Training and Education.

1. General Training. Within one hundred eighty (180) days of the Effective Date of this CIA, Shawnee Hills shall provide at least two (2) hours of training to each Covered Individual (as defined in the Preamble to this CIA). This general training shall explain Shawnee Hills':

- a. Corporate Integrity Agreement requirements;
- b. Compliance Program (including the Policies and Procedures as they pertain to general compliance issues); and
- c. Code of Conduct.

These training materials shall be made available to OIG, upon request.

New Covered Individuals shall receive the general training described above within thirty (30) days of the beginning of their employment, agency or contract, or within ninety (90) days after the Effective Date of this CIA, whichever is later. Each Covered Individual shall receive such general training on an annual basis throughout the term of this CIA.

2. Specific Training. Within one hundred twenty (120) days of the Effective Date of this CIA, each Covered Individual who is involved directly or indirectly in the delivery of patient care, in the preparation or submission of claims for reimbursement for such care (including, but not limited to, coding and billing), or who is involved in preparing submissions or applications for Grants and Contracts, for any Federal health care program shall receive at least six (6) hours of training in addition to the general training required above. This training shall include a discussion of:

- a. the submission of accurate bills for services rendered to beneficiaries of the Federal health care programs;
- b. policies, procedures and other requirements applicable to the documentation of medical records;

- c. the personal obligation of each individual involved in the billing process to ensure that such billings are accurate;
- d. applicable reimbursement rules and statutes;
- e. the legal sanctions for improper billings;
- f. examples of proper and improper billing practices;
- g. the requirement to submit accurate and complete applications, requests, reports and other submissions regarding Grants and Contracts;
- h. the personal obligation of each individual involved in the Grants and Contracts process to ensure that submissions to federal and state agencies are accurate and complete and that all material information is provided to these agencies;
- i. the legal sanctions and possible actions for improper acts or omissions pertaining to Grants and Contracts; and
- j. examples of proper and improper practices pertaining to Grants and Contracts.

These training materials shall be made available to OIG, upon request. Persons providing the training must be knowledgeable about the subject area.

Affected new Covered Individuals shall receive this training within thirty (30) days of the beginning of their employment, agency or contract, or within one hundred eighty (180) days of the Effective Date of this CIA, whichever is later. If a new Covered Individual has any responsibility for the delivery of patient care, the preparation or submission of claims, the assignment of procedure codes, and/or the preparation or submission of requests for Grants and Contracts prior to completing this specific training, then a Shawnee Hills employee who has completed the substantive training shall review all of the untrained person's work pertaining to these responsibilities. Each Covered Individual shall receive such specific training on an annual basis throughout the term of this CIA.

3. Certification. Each Covered Individual shall certify in writing that he or she has attended the required training. The certification shall specify the type of training

and the date received. The Compliance Officer shall retain the certifications, along with specific course materials, and shall be made available to OIG upon request.

D. Review Procedures. Shawnee Hills shall retain an entity, such as an accounting, auditing or consulting firm (hereinafter "Independent Review Organization"), to perform review procedures to assist Shawnee Hills in assessing the adequacy of its billing and compliance practices pursuant to this CIA. This shall be an annual requirement and shall cover a twelve (12) month period. The Independent Review Organization must have expertise in billing, coding, reporting and other requirements of the Federal health care programs from which Shawnee Hills seeks reimbursement. The Independent Review Organization must also have expertise in Grants and Contracts. The Independent Review Organization must be retained to conduct the audit of the first year within ninety (90) days of the Effective Date of this CIA.

The Independent Review Organization will conduct three (3) separate engagements. One will be an analysis of Shawnee Hills' billings to the Federal health care programs to assist the OIG in determining Shawnee Hills' compliance with all applicable statutes, regulations, and directives and/or guidance (hereafter referred to as the "Billing Engagement"). The second engagement shall include an analysis of all of Shawnee Hills' HHS Grants and Contracts (hereafter referred to as the "Grants and Contracts Engagement"). The third engagement will determine whether Shawnee Hills is in compliance with this CIA (hereafter referred to as the "Compliance Engagement").

1. Billing Engagement. The Billing Engagement shall consist of a review of a statistically valid sample of claims that can be projected to the population of claims submitted to the Federal health care programs during the relevant year covered by the engagement. The sample size shall be determined through the use of a probe sample. The probe sample must contain at least thirty (30) sample units and cannot be used as part of the full sample. The full sample must contain a sufficient number of units so that when the sample results are projected to the population of claims, the projection provides a minimum 90% confidence level and a maximum precision of plus or minus 25% of the point estimate (i.e., the upper and lower bounds of the 90% confidence interval shall not exceed 125% and shall not fall below 75% of the midpoint of the confidence interval, respectively). Both the probe sample and the full sample must be selected through random number sampling. To generate the random sample, the Independent Review Organization shall use the OIG's Office of Audit Services Statistical Sampling Software, also known as "RAT-STATS," available through the Internet at "www.hhs.gov/oig/oas/ratstat.html."

Each annual Billing Engagement analysis shall include the following components in its methodology:

- a. Billing Engagement Objective: A statement clearly articulating the objective intended to be achieved by the Billing Engagement and the procedure or combination of procedures that will be applied to achieve the objective.
- b. Billing Engagement Population: Identify the population, which is the group about which information is needed. Explain the methodology used to develop the population and provide the basis for this determination.
- c. Sources of Data: Provide a full description of the source of the information upon which the Billing Engagement conclusions will be based, including the legal or other standards applied, documents relied upon, payment data, and any contractual obligations.
- d. Sampling Unit: Define the sampling unit, which is any of the designated elements that comprise the population of interest.
- e. Sampling Frame: Identify the sampling frame, which is the totality of the sampling units from which the sample will be selected.

The Billing Engagement shall provide:

- a. findings regarding Shawnee Hills' billing and coding operation (including, but not limited to, the operation of the billing system, strengths and weaknesses of this system, internal controls, and the effectiveness of the system);
- b. findings regarding whether Shawnee Hills is submitting accurate claims for services billed to the Federal health care programs;
- c. findings regarding Shawnee Hills' procedures to correct inaccurate billings or codings to the Federal health care programs; and
- d. findings regarding the steps Shawnee Hills is taking to bring its operations into compliance or to correct problems identified by the audit.

2. Grants and Contracts Engagement. In addition to the single audit requirements contained in 45 C.F.R. Part 74, Appendix E, the Independent Review

Organization shall conduct, on an annual basis, a comprehensive audit of Shawnee Hills' compliance with all applicable federal laws and regulations regarding the use and expenditure of HHS grant and contract funds, including the uniform administrative requirements contained in 45 C.F.R. Part 74, the Federal Acquisition Regulations, regulations governing grants for research projects in 42 C.F.R. Part 52 and cost principles contained in 45 C.F.R. Part 74, Appendix E. Such audits shall be performed with respect to each department or other subdivision of Shawnee Hills that receives or has oversight responsibility with respect to HHS Grants and Contracts and shall be conducted in accordance with Generally Accepted Auditing Practices. Special attention shall be devoted to internal controls to ensure compliance with HHS requirements, including the certifications made on applications, progress reports and other reports related to Grants and Contracts. The Grants and Contracts Engagement shall also provide findings regarding whether Shawnee Hills is submitting accurate requests for grant funds provided, in whole or in part, from the Federal health care programs. The results of the Grants and Contracts Engagement shall be reported to the Deputy Assistant Secretary for Grants and Acquisition Management at the address identified below at Section VI. A copy of this report shall also be included in Shawnee Hills' Annual Reports to OIG.

3. Compliance Engagement. The Independent Review Organization shall also conduct a Compliance Engagement, that shall provide findings regarding whether Shawnee Hills' program, policies, procedures, and operations comply with the terms of this CIA. This engagement shall include section by section findings regarding the requirements of this CIA.

A complete copy of the Independent Review Organization's Billing Engagement, Grants and Contracts Engagement, and Compliance Engagement reports shall be included in each of Shawnee Hills' Annual Reports (described below) to OIG.

4. Verification/Validation. In the event that OIG determines that it is necessary to conduct an independent review to determine whether or the extent to which Shawnee Hills is complying with its obligations under this CIA, Shawnee Hills agrees to pay the reasonable costs of any such review or engagement by OIG or any of its designated agents. Prior to proceeding with such an independent review, OIG shall notify Shawnee Hills of its intent to do so and its reasons for believing such a review is necessary, and shall in good faith attempt to resolve any issues pertaining to the Billing Engagement or Grants and Contracts Engagement without conducting an independent review. However, it shall remain within OIG's sole discretion to proceed with an independent review as described above.

5. Request for Internal Audit. After the first five (5) years of this CIA, Shawnee Hills may request OIG to allow, in part or in whole, the Billing Engagement,

Grants and Contracts Engagement, and Compliance Engagement to be performed by Shawnee Hills' internal audit personnel. OIG will decide on such a request in its sole discretion.

E. Confidential Disclosure Program. Within ninety (90) days after the Effective Date of this CIA, Shawnee Hills shall establish a Confidential Disclosure Program, which must include measures (e.g., a toll-free compliance telephone line) to enable employees, agents, independent contractors, subcontractors or other individuals to disclose, to the Compliance Officer or some other person who is not in the reporting individual's chain of command, any identified issues or questions associated with Shawnee Hills' policies, practices or procedures with respect to the relevant Federal health care program, grant or contract, believed by the individual to be inappropriate. Shawnee Hills shall publicize the existence of the hotline or other measure(s) taken to satisfy the requirements of this Section (e.g., e-mail to employees or posting the hotline number in prominent areas).

The Confidential Disclosure Program shall emphasize a non-retribution, non-retaliation policy, and shall include a reporting mechanism for anonymous, confidential communication. Upon receipt of a compliance disclosure, the Compliance Officer (or designee) shall gather the information in such a manner as to elicit all relevant information from the individual reporting the alleged misconduct. The Compliance Officer (or designee) shall make a preliminary good faith inquiry into the allegations set forth in every disclosure to ensure that he or she has obtained all of the information necessary to determine whether a further review should be conducted. For any disclosure that is sufficiently specific so that it reasonably: (1) permits a determination of the appropriateness of the alleged improper practice, and (2) provides an opportunity for taking corrective action, Shawnee Hills shall conduct an internal review of the allegations set forth in such a disclosure and ensure that proper follow-up is conducted.

The Compliance Officer shall maintain a confidential disclosure log, which shall include a record and summary of each allegation received, the status of the respective investigations, and any corrective action taken in response to the investigation.

F. Ineligible Persons.

1. Definition. For the purposes of this CIA, an "Ineligible Person" shall be any individual or entity who: (i) is currently excluded, suspended, debarred or otherwise ineligible to participate in any Federal health care program; or (ii) has been convicted of a criminal offense related to the provision of health care items or services and has not been reinstated in the Federal health care programs after a period of exclusion, suspension, debarment, or ineligibility.

2. Screening Requirements. Shawnee Hills shall not hire or engage as a Covered Individual any Ineligible Person. To prevent hiring or contracting with any Ineligible Person, Shawnee Hills shall screen all prospective Covered Individuals prior to engaging their services by (i) requiring applicants to disclose whether they are Ineligible Persons, and (ii) reviewing the General Services Administration's List of Parties Excluded from Federal Programs (available through the Internet at <http://www.arnet.gov/epl>) and the HHS/OIG List of Excluded Individuals/Entities (available through the Internet at <http://www.dhhs.gov/oig>) (these lists and reports will hereinafter be referred to as the "Exclusion Lists").

3. Review and Removal Requirement. Within ninety (90) days of the Effective Date of this CIA, Shawnee Hills will review its list of current Covered Individuals against the Exclusion Lists. Thereafter, Shawnee Hills will review the Exclusion Lists on a periodic basis, but no less than semi-annually. If Shawnee Hills has notice that a Covered Individual has become an Ineligible Person, Shawnee Hills will remove such person from responsibility for, or involvement with, Shawnee Hills' business operations related to the Federal health care programs or Grants and Contracts, and shall remove such person from any position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or part, directly or indirectly, by the Federal health care programs or otherwise with federal funds at least until such time as the person is reinstated into participation in the Federal health care programs.

4. Pending Charges and Proposed Exclusions. If Shawnee Hills has notice that a Covered Individual is charged with a criminal offense related to any Federal health care program or Grants and Contracts, or is proposed for exclusion during his or her employment or contract, Shawnee Hills shall take all appropriate actions to ensure that the responsibilities of that Covered Individual do not adversely affect the quality of care rendered to any patient or resident, or the accuracy of any claims submitted to any Federal health care program, or the accuracy of any submissions for Grants and Contracts funds.

G. Notification of Proceedings. Within thirty (30) days of discovery, Shawnee Hills shall provide written notice to OIG of any ongoing investigation or legal proceeding conducted or brought by a governmental entity or its agents involving an allegation that Shawnee Hills has committed a crime or has engaged in fraudulent activities. This notification shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation or legal proceeding. Shawnee Hills shall also provide written notice to OIG within thirty (30) days of the resolution of the matter, and shall provide OIG with a description of the findings and results of the proceedings, if any.

H. Reporting.

1. Overpayments.

a. Definition of Overpayments. For the purposes of this CIA, an "overpayment" shall mean the amount of money Shawnee Hills has received in excess of the amount due and payable under any Federal health care program requirements, or under any Grants and Contracts. Shawnee Hills may not subtract any underpayments for purposes of determining the amount of relevant "overpayments."

b. Reporting of Overpayments. If, at any time, Shawnee Hills identifies or learns of any overpayments, Shawnee Hills shall notify the payor or grantor (e.g., Medicare fiscal intermediary or carrier) and repay any identified overpayments within thirty (30) days of discovery and take remedial steps within sixty (60) days of discovery (or such additional time as may be agreed to by the payor) to correct the problem, including preventing the underlying problem and the overpayments from recurring. Notification and repayment to the contractor or grantor should be done in accordance with the contractor or grantor policies, and for Medicare contractors, must include the information contained on the Overpayment Refund Form, provided as Attachment A to this CIA.

2. Material Deficiencies.

a. Definition of Material Deficiency. For the purposes of this CIA, a "Material Deficiency" means anything that involves:

(i) a substantial overpayment; or

(ii) a matter that a reasonable person would consider a potential violation of criminal, civil, or administrative laws applicable to any Federal health care program for which penalties or exclusion may be authorized.

A Material Deficiency may be the result of an isolated event or a series of occurrences.

b. Reporting of Material Deficiencies. If Shawnee Hills determines that there is a Material Deficiency, Shawnee Hills shall notify OIG,

in writing, within thirty (30) days of making the determination that the Material Deficiency exists. The report to OIG shall include the following information:

(i) If the Material Deficiency results in an overpayment, the report to OIG shall be made at the same time as the notification to the payor required in section III.H.1, and shall include all of the information on the Overpayment Refund Form, as well as:

(A) the payor's name, address, and contact person to whom the overpayment was sent; and

(B) the date of the check and identification number (or electronic transaction number) on which the overpayment was repaid/refunded;

(ii) a complete description of the Material Deficiency, including the relevant facts, persons involved, and legal and Federal health care program authorities implicated;

(iii) a description of Shawnee Hills' actions taken to correct the Material Deficiency; and

(iv) any further steps Shawnee Hills plans to take to address the Material Deficiency and prevent it from recurring.

IV. NEW LOCATIONS

In the event that Shawnee Hills purchases or establishes new business units after the Effective Date of this CIA, Shawnee Hills shall notify OIG of this fact through a report on a quarterly basis. This notification shall include the location of the new operation(s), phone number, fax number, Federal health care program provider number(s) (if any), and the corresponding payor(s) (contractor specific) that has issued each provider number. All Covered Individuals affiliated with such locations shall be subject to the requirements in this CIA that apply to new Covered Individuals (e.g., completing certifications and undergoing training). In the case of acquired facilities, the objectives of this CIA shall apply only to services or situation occurring after the effective date of the acquisition.

V. IMPLEMENTATION AND ANNUAL REPORTS

A. Implementation Report. Within one hundred eighty (180) days after the Effective Date of this CIA, Shawnee Hills shall submit a written report to OIG summarizing the status of its implementation of the requirements of this CIA. This Implementation Report shall include:

1. the name, address, phone number and position description of the Compliance Officer required by Section III.A.1;
2. the names and positions of the members of the Compliance Committee required by Section III.A.2;
3. a copy of Shawnee Hills' Code of Conduct required by Section III.B.1;
4. the summary of the Policies and Procedures required by Section III.B.2;
5. a description of the training programs required by Section III.C, including a description of the targeted audiences and a schedule of the training sessions;
6. a certification by the Compliance Officer that:
 - a. the Policies and Procedures required by Section III.B.2 have been developed, are being implemented, and have been distributed to all Covered Individuals;
 - b. all Covered Individuals have completed the Code of Conduct certification required by Section III.B.1.
7. a description of the Confidential Disclosure Program required by Section III.E;
8. the identity of the Independent Review Organization(s) and the proposed start and completion date of the first audit;
9. a summary of personnel actions taken pursuant to Section III.F; and
10. a list of all of Shawnee Hills' locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers, each location's Federal health care

program provider identification number(s), and the name, address, and telephone number of the payor (specific contractor) that issues each provider identification number.

B. Annual Reports. Shawnee Hills shall submit to OIG an Annual Report with respect to the status and findings of its compliance activities.

The Annual Reports shall include:

1. any change in the identity or position description of the Compliance Officer and members of the Compliance Committee described in Section III.A;
2. a certification by the Compliance Officer that:
 - a. all Covered Individuals have completed the annual Code of Conduct certification required by Section III.B.1; and
 - b. all Covered Individuals have completed the training and executed the certification required by Section III.C;
3. notification of any material changes or amendments to the Policies and Procedures required by Section III.B.2 and the reasons for such changes (e.g., change in contractor policy);
4. a complete copy of the report(s) prepared pursuant to the Independent Review Organization's Billing, Grants and Contracts and Compliance Engagement, including a copy of the methodology used;
5. Shawnee Hills' response and corrective action plan to any issues raised by the Independent Review Organization;
6. a summary of issues (including material deficiencies) reported to OIG throughout the course of the previous twelve (12) months pursuant to Section III.H;
7. a report of the aggregate overpayments that have been returned to the Federal health care programs, or attributable to Grants and Contracts, that were discovered as a direct or indirect result of implementing this CIA. Overpayment amounts should be broken down into the following categories: Medicare, Medicaid (report each applicable state separately) other Federal health care programs, and specific Grants and Contracts;
8. a copy of the confidential disclosure log required by Section III.E;

9. a description of any personnel actions (other than hiring) taken by Shawnee Hills as a result of the obligations in Section III.F, and the name, title, and responsibilities of any person that falls within the ambit of Section III.F.4, and the actions taken in response to the obligations set forth in that Section;

10. a summary describing any ongoing investigation or legal proceeding conducted or brought by a governmental entity involving an allegation that Shawnee Hills or any Covered Individual has committed a crime or has engaged in fraudulent activities, which have been reported pursuant to Section III.G. The statement shall include a description of the allegation, the identity of the investigating or prosecuting agency, and the status of such investigation, legal proceeding or requests for information;

11. a corrective action plan to address any known probable violations of law; and

12. a description of all changes to the most recently provided list (as updated) of Shawnee Hills' locations (including locations and mailing addresses), the corresponding name under which each location is doing business, the corresponding phone numbers and fax numbers, each location's Federal health care program provider identification number(s), and the name, address, and telephone number of the payor (specific contractor) that issued each provider identification number.

The first Annual Report shall be received no later than one (1) year and ninety (90) days after the Effective Date of this CIA. Subsequent Annual Reports shall be received no later than the anniversary date of the due date of the first Annual Report.

C. Certifications. The Implementation Report and Annual Reports shall include a certification by the Compliance Officer under penalty of perjury, that: (1) Shawnee Hills is in compliance with all of the requirements of this CIA, to the best of his or her knowledge; and (2) the Compliance Officer has reviewed the Report and has made reasonable inquiry regarding its content and believes that, upon such inquiry, the information is accurate and truthful.

VI. NOTIFICATIONS AND SUBMISSION OF REPORTS

Unless otherwise stated in writing subsequent to the Effective Date of this CIA, all notifications and reports required under this CIA shall be submitted to the entities listed below:

OIG:

Civil Recoveries Branch - Compliance Unit
Office of Counsel to the Inspector General
Office of Inspector General
U.S. Department of Health and Human Services
Cohen Building, Room 5527
330 Independence Avenue, S.W.
Washington, D.C. 20201
Phone 202-619-2078
Fax 202-205-0604

Shawnee Hills:

Martha Eades
President and CEO
Shawnee Hills, Inc.
603 Morris Square
P.O. Box 3698
Charleston, WV 25336-3698
Phone 304-341-0603
Fax 304-346-0762

VII. OIG INSPECTION, AUDIT AND REVIEW RIGHTS

In addition to any other rights OIG may have by statute, regulation, or contract, OIG or its duly authorized representative(s), may examine Shawnee Hills' books, records, and other documents and supporting materials for the purpose of verifying and evaluating: (a) Shawnee Hills' compliance with the terms of this CIA; and (b) Shawnee Hills' compliance with the requirements of the Federal health care programs and HHS Grants and Contracts in which it participates. The documentation described above shall be made available by Shawnee Hills to OIG or its duly authorized representative(s) at all reasonable times for inspection, audit or reproduction. Furthermore, for purposes of this provision, OIG or its duly authorized representative(s) may interview any of Shawnee Hills' employees, agents, independent contractors and subcontractors who consent to be interviewed at that person's place of business during normal business hours or at such other place and time as may be mutually agreed upon between that person and OIG. Shawnee Hills agrees to assist OIG in contacting and arranging interviews with such employees, agents, independent contractors and subcontractors upon OIG's request. Shawnee Hills' employees, agents, independent contractors and subcontractors may elect

to be interviewed with or without a representative of Shawnee Hills present, and with or without legal counsel present.

VIII. DOCUMENT AND RECORD RETENTION

Shawnee Hills shall maintain for inspection all documents and records: (1) relating to reimbursement from the Federal health care programs for at least seven years after the submission of the request for reimbursement; and (2) necessary to establish Shawnee Hills' compliance with the CIA for at least three years following the submission of the Annual Report covering the relevant year.

IX. DISCLOSURES AND PRIVILEGES

Subject to HHS's Freedom of Information Act ("FOIA") procedures, set forth in 45 C.F.R. Part 5, the OIG shall make a reasonable effort to notify Shawnee Hills prior to any release by OIG of information submitted by Shawnee Hills pursuant to its obligations under this CIA and identified upon submission by Shawnee Hills as trade secrets, commercial or financial information and privileged and confidential under the FOIA rules. Shawnee Hills shall refrain from identifying any information as trade secrets, commercial or financial information and privileged and confidential that does not meet the criteria for exemption from disclosure under FOIA with respect to the disclosure of such information. Shawnee Hills shall have the rights set forth in 45 C.F.R. § 5.65(d).

Nothing in this CIA, or any communication or report made pursuant to this CIA, shall constitute a waiver of, or be construed to require Shawnee Hills to waive its attorney/client, work product or other applicable privileges. Notwithstanding that fact, the existence of any such privilege does not affect Shawnee Hills' obligations to comply with the provisions of this CIA.

X. BREACH AND DEFAULT PROVISIONS

Shawnee Hills is expected to fully and timely comply with all of the obligations herein throughout the term of this CIA or other time frames herein agreed to.

A. Stipulated Penalties for Failure to Comply with Certain Obligations. As a contractual remedy, Shawnee Hills and OIG hereby agree that failure to comply with certain obligations set forth in this CIA may lead to the imposition of the following monetary penalties (hereinafter referred to as "Stipulated Penalties") in accordance with the following provisions:

1. A Stipulated Penalty of \$2,000 (which shall begin to accrue on the day after the date the obligation became due) for each day, beginning the first day after the Effective Date, and concluding at the end of the term of this CIA, Shawnee Hills fails to have in place any of the following:

- a. a Compliance Officer;
- b. a Compliance Committee;
- c. a written Code of Conduct;
- d. written Policies and Procedures;
- e. a training program; and
- f. a Confidential Disclosure Program.

2. A Stipulated Penalty of \$2,000 (which shall begin to accrue on the day after the date the obligation became due) for each day Shawnee Hills fails meet any of the deadlines to submit the Implementation Report or the Annual Reports to OIG.

3. A Stipulated Penalty of \$1,500 (which shall begin to accrue on the date the failure to comply began) for each day Shawnee Hills:

- a. hires or enters into a contract with an Ineligible Person after that person has been listed by a federal agency as excluded, debarred, suspended or otherwise ineligible for participation in the Medicare, Medicaid or any other Federal health care program (as defined in 42 U.S.C. § 1320a-7b(f)) (this Stipulated Penalty shall not be demanded for any time period during which Shawnee Hills can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in Section III.F) as to the status of the person); or
- b. employs or contracts with an Ineligible Person and that person: (i) has responsibility for, or involvement with, Shawnee Hills' business operations related to the Federal health care programs or Grants and Contracts or (ii) is in a position for which the person's salary or the items or services rendered, ordered, or prescribed by the person are paid in whole or in part, directly or indirectly, by Federal health care programs or otherwise with federal funds (this Stipulated Penalty

shall not be demanded for any time period during which Shawnee Hills can demonstrate that it did not discover the person's exclusion or other ineligibility after making a reasonable inquiry (as described in Section III.F) as to the status of the person).

4. A Stipulated Penalty of \$1,000 (which shall begin to accrue on the date Shawnee Hills fails to grant access) for each day Shawnee Hills fails to grant access to the information or documentation as required in Section VII of this CIA.

5. A Stipulated Penalty of \$1,000 for each day Shawnee Hills fails to comply fully and adequately with any obligation of this CIA not already covered in sections 1-5, above. In its notice to Shawnee Hills, OIG shall state the specific grounds for its determination that Shawnee Hills has failed to comply fully and adequately with the CIA obligation(s) at issue and steps Shawnee Hills must take to comply with the CIA. (This Stipulated Penalty shall begin to accrue ten (10) days after the date that OIG provides notice to Shawnee Hills of the failure to comply.) With respect to the Stipulated Penalty provision described in this section X.A.5 only, OIG shall not seek a Stipulated Penalty if Shawnee Hills demonstrates that the alleged failure to comply could not be cured within the 10-day period, but that: (i) Shawnee Hills has begun to take action to cure the failure to comply; (ii) Shawnee Hills is pursuing such action with due diligence, and (iii) Shawnee Hills has provided OIG a reasonable timetable for curing the failure to comply.

B. Payment of Stipulated Penalties.

1. Demand Letter. Upon a finding that Shawnee Hills has failed to comply with any of the obligations described in Section X.A and a determination that Stipulated Penalties are appropriate, OIG shall notify Shawnee Hills by personal service or certified mail of (a) Shawnee Hills' failure to comply; and (b) OIG's exercise of its contractual right to demand payment of the Stipulated Penalties (this notification is hereinafter referred to as the "Demand Letter").

Within fifteen (15) days of the date of the Demand Letter, Shawnee Hills shall either (a) cure the breach to OIG's satisfaction and pay the applicable Stipulated Penalties; or (b) request a hearing before an HHS administrative law judge ("ALJ") to dispute OIG's determination of noncompliance, pursuant to the agreed upon provisions set forth below in Section X.D. In the event Shawnee Hills elects to request an ALJ hearing, the Stipulated Penalties shall continue to accrue until Shawnee Hills cures, to OIG's satisfaction, the alleged breach in dispute; however, the payment of such accrued Stipulated Penalties shall remain pending until the ALJ determination. Conversely, if Shawnee Hills prevails on the merits before the ALJ, no Stipulated Penalties shall be

payable for any period that Shawnee Hills is determined to be in compliance with its obligations under this CIA. Failure to respond to the Demand Letter in one of these two manners within the allowed time period shall be considered a material breach of this CIA and shall be grounds for exclusion under Section X.C.

2. Timely Written Requests for Extensions. Shawnee Hills may submit a timely written request (as defined below) for an extension of time to perform any act or file any notification or Report required by this CIA. Notwithstanding any other provision in this Section, if OIG grants the timely written request with respect to an act, notification, or Report, Stipulated Penalties for failure to perform the act or file the notification or Report shall not begin to accrue until one (1) day after Shawnee Hills fails to meet the revised deadline as agreed to by the OIG-approved extension. Notwithstanding any other provision in this Section, if OIG denies such a timely written request, Stipulated Penalties for failure to perform the act or file the notification or Report shall not begin to accrue until two (2) business days after Shawnee Hills receives OIG's written denial of such request. A "timely written request" is defined as a request in writing received by OIG at least five (5) business days prior to the date by which any act is due to be performed or any notification or report is due to be filed.

3. Form of Payment. Payment of the Stipulated Penalties shall be made by certified or cashier's check, payable to "Secretary of the Department of Health and Human Services," and submitted to OIG at the address set forth in Section VI.

4. Independence from Material Breach Determination. Except as otherwise noted, these provisions for payment of Stipulated Penalties shall not affect or otherwise set a standard for OIG's determination that Shawnee Hills has materially breached this CIA, which decision shall be made at OIG's discretion and governed by the provisions in Section X.C, below.

C. Exclusion for Material Breach of this CIA.

1. Notice of Material Breach and Intent to Exclude. The parties agree that a material breach of this CIA by Shawnee Hills constitutes an independent basis for Shawnee Hills' exclusion from participation in the Federal health care programs (as defined in 42 U.S.C. § 1320a-7b(f)). Upon a determination by OIG that Shawnee Hills has materially breached this CIA and that exclusion should be imposed, OIG shall notify Shawnee Hills by certified mail of (a) Shawnee Hills' material breach; and (b) OIG's intent to exercise its contractual right to impose exclusion (this notification is hereinafter referred to as the "Notice of Material Breach and Intent to Exclude").

2. Opportunity to Cure. Shawnee Hills shall have thirty-five (35) days from the date of the Notice of Material Breach and Intent to Exclude Letter to demonstrate to OIG's satisfaction that:

- a. Shawnee Hills is in full compliance with this CIA;
- b. the alleged material breach has been cured; or
- c. the alleged material breach cannot be cured within the 35-day period, but that: (i) Shawnee Hills has begun to take action to cure the material breach, (ii) Shawnee Hills is pursuing such action with due diligence, and (iii) Shawnee Hills has provided to OIG a reasonable timetable for curing the material breach.

3. Exclusion Letter. If, at the conclusion of the thirty-five (35) day period, Shawnee Hills fails to satisfy the requirements of Section X.C.2, OIG may exclude Shawnee Hills from participation in the Federal health care programs. OIG will notify Shawnee Hills in writing of its determination to exclude Shawnee Hills (this letter shall be referred to hereinafter as the "Exclusion Letter"). Subject to the Dispute Resolution provisions in Section X.D, below, the exclusion shall go into effect thirty (30) days after the date of the Exclusion Letter. The exclusion shall have national effect and will also apply to all other federal procurement and non-procurement programs. If Shawnee Hills is excluded under the provisions of this CIA, Shawnee Hills may seek reinstatement pursuant to the provisions at 42 C.F.R. §§ 1001.3001-.3004.

4. Material Breach. A material breach of this CIA means:

- a. a failure by Shawnee Hills to report a material deficiency, take corrective action and pay the appropriate refunds, as provided in Section III.H, above;
- b. repeated or flagrant violations of the obligations under this CIA, including, but not limited to, the obligations addressed in Section X.A of this CIA;
- c. a failure to respond to a Demand letter concerning the payment of Stipulated Penalties in accordance with Section X.B, above; or
- d. a failure to retain and use an Independent Review Organization for review purposes in accordance with Section III.D, above.

D. Dispute Resolution.

1. Review Rights. Upon OIG's delivery to Shawnee Hills of its Demand Letter or of its Exclusion Letter, and as an agreed-upon contractual remedy for the resolution of disputes arising under the obligations of this CIA, Shawnee Hills shall be afforded certain review rights comparable to the ones that are provided in 42 U.S.C. § 1320a-7(f) and 42 C.F.R. Part 1005 as if they applied to the Stipulated Penalties or exclusion sought pursuant to this CIA. Specifically, OIG's determination to demand payment of Stipulated Penalties or to seek exclusion shall be subject to review by an ALJ and, in the event of an appeal, the Departmental Appeals Board ("DAB"), in a manner consistent with the provisions in 42 C.F.R. §§ 1005.2-1005.21. Notwithstanding the language in 42 C.F.R. § 1005.2(c), the request for a hearing involving Stipulated Penalties shall be made within fifteen (15) days of the date of the Demand Letter and the request for a hearing involving exclusion shall be made within thirty (30) days of the date of the Exclusion Letter.

2. Stipulated Penalties Review. Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for Stipulated Penalties under this CIA shall be (a) whether Shawnee Hills was in full and timely compliance with the obligations of this CIA for which OIG demands payment; (b) the period of noncompliance; and (c) with respect to a Stipulated Penalty authorized under section X.A.5 only, whether the failure to comply could not be cured within the 10-day period, but by the end of that period (i) Shawnee Hills had begun to take action to cure the failure to comply, and (ii) Shawnee Hills had provided to OIG a reasonable timetable for curing the material breach which is being followed by Shawnee Hills. Shawnee Hills shall have the burden of proving its full and timely compliance and the steps taken to cure the noncompliance, if any. If the ALJ finds for OIG with regard to a finding of a breach of this CIA and orders Shawnee Hills to pay Stipulated Penalties, such Stipulated Penalties shall become due and payable twenty (20) days after the ALJ issues such a decision notwithstanding that Shawnee Hills may request review of the ALJ decision by the DAB.

3. Exclusion Review. Notwithstanding any provision of Title 42 of the United States Code or Chapter 42 of the Code of Federal Regulations, the only issues in a proceeding for exclusion based on a material breach of this CIA shall be: (a) whether Shawnee Hills was in material breach of this CIA; (b) whether such breach was continuing on the date of the Exclusion Letter; and (c) the alleged material breach cannot be cured within the thirty-five (35) day period, but that (i) Shawnee Hills has begun to take action to cure the material breach, (ii) it is pursuing such action with due diligence, and (iii) Shawnee Hills has provided to OIG a reasonable timetable for curing the material breach.

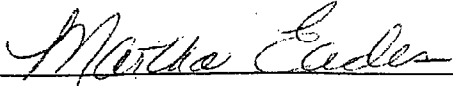
For the purposes of the exclusion herein, exclusion shall take effect only after an ALJ decision that is favorable to OIG. Shawnee Hills' election of its contractual right to appeal to the DAB shall not abrogate OIG's authority to exclude Shawnee Hills upon the issuance of the ALJ's decision. If the ALJ sustains the determination of OIG and determines that exclusion is authorized, such exclusion shall take effect twenty (20) days after the ALJ issues such a decision, notwithstanding that Shawnee Hills may request review of the ALJ decision by the DAB.

XI. EFFECTIVE AND BINDING AGREEMENT

Consistent with the provisions in the Settlement Agreement and Release pursuant to which this CIA is entered, and into which this CIA is incorporated, Shawnee Hills and OIG agree as follows:

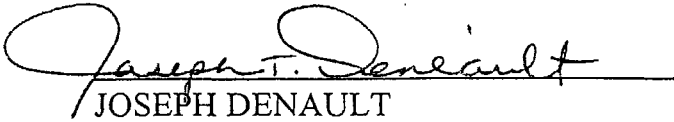
- A. This CIA shall be binding on the successors, assigns and transferees of Shawnee Hills;
- B. This CIA shall become final and binding on the date the final signature is obtained on the CIA;
- C. Any modifications to this CIA shall only be made with the prior written consent of the parties to this CIA; and
- D. The undersigned Shawnee Hills signatories represent and warrant that they are authorized to execute this CIA. The undersigned OIG signatories represent that they are signing this CIA in their official capacities and that they are authorized to execute this CIA.

ON BEHALF OF SHAWNEE HILLS, INC.



MARTHA EADES, CPA
President and Chief Executive Officer
Shawnee Hills, Inc.

4-25-00
DATE



JOSEPH DENAULT
Chairman, Board of Directors
Shawnee Hills, Inc.

4-25-00
DATE

ON BEHALF OF THE OFFICE OF INSPECTOR GENERAL
OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES



LEWIS MORRIS

Assistant Inspector General for Legal Affairs

Office of Counsel to the Inspector General

Office of Inspector General

U. S. Department of Health and Human Services

4/26/00
DATE